

U.S. WINE INDUSTRY – 2008

INDUSTRY SUMMARY

According to the U.S. Department of Commerce 2007 Census of Manufacturers, the value of industry shipments of the U.S. wine and brandy industry (NAICS 31213) reached an estimated \$12.3 billion,¹ employed 33,319 individuals (14,863 production workers), with a total payroll of \$1.4 billion.

The remainder of this report will be analyzing a subsector of this industry--sparkling and non-sparkling wines (table wines) made from grapes, as well as wine grape production.

U.S. VINEYARD AND WINERY INDUSTRY

There are more than 23,000 farms that grow grapes, of which 90 percent are on plots smaller than 100 acres (40.5 hectares). In 2008, while total U.S. grape bearing area rose a modest 0.2 percent to 938,951 acres (379,980 hectares), total grape production rose 5.4 percent to 6.44 million tons. About 64 percent of total grape production is wine grape production and that portion rose 1.7 percent to 4.11 million tons.

Between 1999 and 2008, the number of wineries has increased, at an annual compound growth rate of 10.25 percent, from 2,688 bonded wineries to 6,459.² California wineries accounted for 44 percent of total U.S. wineries and 88 percent of total domestic wine production.

Percentage of Wineries and Wine Production by Geographic Region – 2008

Region	Wineries	Production*
Northeast	10.3	5.0
South	13.5	1.0
Midwest	12.8	0.9
Mountain	3.9	0.3
California	43.8	88.0
Northwest	15.7	4.5
Total	100.0	99.7

Source: Based on data obtained from U.S. Treasury Alcohol and Tobacco Tax and Trade Division

*Production may also include none grade wine production. Data doesn't total 100 percent due to incomplete state data

¹ 2007 is the latest Census of Manufactures available. Definition of NAICS 31213:

<http://www.census.gov/epcd/naics02/def/NDEF312.HTM#N31213>

² TTB figures based on wine grape production on premise and also include facilities that could produce non-grape wines, cider and other fermented beverages, excluding beer.

U.S. WINE MARKET

According to the Wine Institute's news release, total shipments to the United States in 2008 from all production sources--California, other states and foreign countries--increased just 1 percent over the previous year to 753 million gallons (2.88 billion liters) for a total retail value of \$30 billion. This value makes the United States the largest retail wine market in the world.

Of the 753 million gallons of wine sold in the United States in 2008 (2.85 billion liters):

- Table wine sales were 657 million gallons (2.49 billion liters);
- Desert wine 64 million gallons (242.3 million liters); and
- Sparkling wine 32 million gallons (121.1 million liters).

The U.S. Department of Commerce estimates that California accounts for 62 percent of all wines sold on the U.S. market; imported wines account for 28 percent; and other 49 U.S. state wines account for 10 percent.

According to supermarket data from ACNielsen, more consumers are now drinking red wines than white and/or blush. Reds now account for about 44 percent of wines sold at retail, whites, 42 percent and blush, 14 percent. This change is more dramatic when comparing figures from 15 years ago, where reds only accounted for 25 percent, compared to whites with 41 percent, and blush with 34 percent.

GLOBAL WINE INDUSTRY TRENDS

European vs. Non-European Wines

The international importance of non-European wine producers, especially WWTG members, is growing at the expense of our European friends. According to industry sources, while total vineyard acreage fell 3.7 percent from 2004 to 2008 in the European Union (EU) to about 8.95 million acres, total vineyard acreage for World Wine Trade Group members (WWTG) grew 6.3 percent to 2.80 million acres.

Wine production mirrored similar results within those two regions. While 2008 wine production in the EU fell 7 percent from 2004 to 168.6 million hectoliters, wine production among the WWTG grew almost 4 percent to 74.9 million hectoliters during that same time period. Total world wine production fell 2.7 percent to 283.9 million hectoliters from 2004.

In 2008, total world exports of wines are estimated at 95.4 million hectoliters, a 20 percent increase from 2004. In 2008, the EU accounted for about 59 percent of the total world wine production and 68 percent of world exports. Wines from WWTG accounted for about 29 percent of world production and world exports.

U.S. GLOBAL WINE MARKET PROSPECTS

U.S. Wine Exports

In 2008, total value of U.S. sparkling and non-sparkling wines exports rose 6.7 percent to \$918 million compared with 2007, as quantities rose 10 percent to 448 million liters. (Total wine industry exports in 2008 were \$1.02 billion which also include other winery type products, such as wine lees, vermouth, grape must and wine spirits). Between 2004 and 2008, U.S. wine exports grew 25 percent in value and 19 percent in volume.

Between 2007 and 2008, in dollar value, U.S. wine exports to the European Union rose 4.2 percent to \$477.5 million (grew 9 percent in quantity to 281.2 million liters). On the other hand, U.S. wine exports to our WWTG members grew in value to \$231.1 million (11 percent increase) and 16.5 percent in volume (to 81.5 million liters). Most of this gain came from U.S. wine exports to Canada, our largest export market, which grew almost 19 percent.

In 2008, the top five countries accounted for almost 71 percent of the value of U.S. wine exports.

- The United Kingdom (28 percent),
- Canada (25 percent),
- Italy (6.2 percent)
- Japan (6.1 percent),
- Germany (5.3 percent).

U.S. Wine Exports to EU and WWTG Member Countries

In years past, the European Union has been our major wine export market. In 2004, the European Union accounted for 61 percent of total U.S. wine exports. Now, they represent less than half (47 percent). On the other hand, U.S. wine exports to our WWTG members accounted for only 16 percent in 2004, but now in 2008, they account for one-quarter (25 percent).

Besides increases of U.S. wine exports to our WWTG members, the United States has witnessed major increase to a variety of other countries. Those countries include Korea, China, Hong Kong, Switzerland, Mexico, the Philippines, and Russia.

U.S. Imports

U.S. wine consumers still depend on imports to fully satisfy their demand for wines. Imports of table and sparkling wines account for more than a quarter of U.S. domestic consumption.

Between 2007 and 2008, the value of U.S. wine imports remained flat at \$4.55 billion (quantity fell 1.5 percent to 825 million liters). Between 2004 and 2008, U.S. wine imports grew 36 percent in value and 30 percent in quantity.

In 2008, wine imports from the top five countries accounted for almost 86 percent of the total value of wines imported into the United States:

- France supplied 31 percent
- Italy, 28 percent;
- Australia, 15 percent;
- Spain, 6.1 percent; and
- Chile, 4.9 percent.

The next five major U.S. suppliers of imported wines combined accounted for another 13 percent of U.S. wine imports (Argentina, Germany, New Zealand, Portugal, and South Africa).

U.S. Wine Imports from EU and WWTG Member Countries

Although the EU is the largest regional supplier of imports to the United States, its share has declined in recent years. In 2008, the EU accounted for about 71 percent of the value of all imports, down from 77 percent in 2000.

On the other hand, imports from WWTG members have garnered a larger share of the U.S. import market. In 2008, U.S. imports from WWTG members at \$1.3 billion, accounted for 29 percent of total U.S. wine imports, up from 22 percent in 2000.

***THE FOLLOWING PAGES INCLUDE INDIVIDUAL STATE HIGHLIGHTS WHICH ARE
BASED ON REPORTS RECEIVED FROM EITHER U.S. FEDERAL AGENCIES,
OFFICIAL STATE AGENCIES AND/OR WINE ASSOCIATIONS IN THOSE PARTICULAR
STATES***

California, which accounts for over 90 percent of U.S. wine production, experienced a 7 percent drop from 3.247 million tons in 2007 to 3.015 million tons in 2008. Lighter yields in the state's winegrape vineyards resulted from a dramatic growing season last year beginning with below normal winter rainfall, an extended April frost that reduced quantity in many regions of the state, followed by ideally mild summer and fall temperatures with no precipitation. Berry size was small throughout California, and, combined with the lighter yields, resulted in excellent quality fruit.

The total crush of wine, raisin and table varieties was 3.67 million tons. Of the total grape crush, Chardonnay accounted for the largest percentage with 15.4 percent, followed by Thompson Seedless (non wine grape type) with 11.8 percent. The next top eight were all wine varieties (Zinfandel, 10.8 percent; cabernet sauvignon, 8.9 percent; French Colombard, 8.7 percent; Merlot, 6.1 percent; Rubired, 4.8 percent; Pinot Noir, 2.9 percent; and Syrah, 2.8 percent).

In 2008, **Oregon**, one of the other top 5 wine growing regions, also experienced lower yields due to an extended cool growing season that gave way to dry, mild conditions at harvest. Across the state, lower crop loads and berries showing lower sugar levels but full physiological development have the potential to deliver balanced, complex wines at lower alcohol levels that will age well.

Total yield per harvested acre was down 17 percent in 2008. There was a net gain of 25 wineries in 2008 and a 10 percent increase in total cooperage. Case sales of Oregon wine increased 2 percent and wine sales in dollars increased 15 percent

Washington's 2008 wine grape production totaled 145,000 tons, a record high level, and was up 14 percent from 2007 and 21 percent from 2006. Of the total wine grape produced, 52 percent were white and 48 percent were red varieties. The top four varieties (Riesling, Chardonnay, Cabernet Sauvignon, and Merlot) accounted for almost 75 percent of the total state production. The average price per ton for all wine grapes increased almost 8 percent to \$1,030 per ton (\$1,227 for red and \$837 for white).

In 2008, **New York** grown grapes delivered to wineries and processing plants totaled 168,000 tons, down from 176,000 in 2007. Tonnage received from the Chautauqua-Erie-Cattaraugus Region was down 8 percent from the previous year and tonnage from the Niagara County was also down (12 percent). Grapes from the Finger Lakes region were up 8 percent. Wineries and processing plants in New York crushed a total of 161,158 tons from grapes grown in NY or other states (an increase of 2 percent over 2007). New York grapes crushed accounted for 82 percent. Wine grape crushings in New York plants increased 7 percent from last year to 54,488 tons—accounting for 34 percent of all grapes processed.

In 2008, **Virginia** bearing acreage increased 4 percent from 2,400 in 2007 to 2,500 in 2008. Virginia grape producers harvested 7,000 tons of commercial grapes, up 25 percent from 5,600 tons in 2007. Production of the Vinifera varieties accounted for the majority of the overall production. Producers harvested a crop valued at \$10.4 million, received an average price of \$1,530 per ton. The top four varieties accounted for over 50 percent of total production (Chardonnay, 18.4 percent, Cabernet Franc, 13.2 percent, Merlot, 11.8 percent and Cabernet Sauvignon, 7.5 percent).

While **Missouri** experienced a cool raining growing season in 2008, yields were up over those in 2007. Missouri winegrape production in 2008 fell approximately 40 percent.

In 2008, **North Carolina's** growing season was relatively quiet, no major floods, freezes or widespread damage. Yields were average for vinifera grapes and above average for muscadine varieties.

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